



Training on Indirect Cost (IDC)

Gallup INN – Gallup, NM
February 5-6, 2014

Questions - Questionnaire

- Feedback Form available on OMB's Website
- ww.omb.navajo-nsn.gov;
 - Go to bottom of screen
 - OMB Feedback form.

- Thank you.

Overview

- Purpose of training
- Navajo Nation – Office of Management & Budget
- External Grant Funds
- Governing Rule - Authority on IDC
- IDC Proposal – Setting Rate
- Purpose / Use of IDC Rate
- Strategy

Purpose of Training

- Share information & education on IDC matters
- Review rules/regulations
- Understand importance of Contract Support Cost; e.g. application, implementation to close out;
- Projection of IDC Recovery & allocation
- Next Step – maximize IDC recovery.

Navajo Nation Government

- Three (3) Branch Government-1NNC Sec 202
- Fiduciary Role of NN
 - Account of public funds, manage wisely
 - Plan funding of services desired
- NN Comprehensive Budget
 - General Funds vs External Grant Funds
- NN OMB
 - Plan of Operation-Subchapter 9, 2NNC Sec 1201-1205...
 - Clearinghouse on external grant matters-dev policies, provide TA, compliance & negotiate CnGs, etc.

External Grant Funds

- Grantors include:
 - Federal, States & Counties
 - Corporations, foundations & private donations
 - 70 programs, 50 different C/Gs
- Federal Grant – Treaty between NN & US Gov't: 1849 & 1868
 - Section X. “..U.S. will grant ..Indians such donations, presents, and implements, and adopt other humane measures...”

External Grant Funds Continued

■ Purpose of Funds

- Program, Function, Service & Activities (PFSA)
- Scope of Work & Budget based on PFSA

■ Administration of Grant Funds

- Direct Program – grant recipients
 - Personnel Salaries
 - Non personnel – travel, operation
 - Service to beneficiaries
- Central Support Service Providers
 - Admin Cost of external grant funds
 - OMB, OOC, DPM, DOJ, OPVP, Council
 - Budget, accounting, reporting, legal, human resources, doc review, etc.

Governing Rule/Authority on IDC

■ Purpose of Rules:

- America is government of law not men;
- Tunes level of discretion among legislators, administrator & judges
- Fair-if one knows what is required, clarity
- Solve problem of administrative discretion
- Control action of users.

■ 2 CFR 225-Cost Principles for State, Local & Indian Tribes

- Allowable (unallowable) expenses for IDC
- Due date for IDC Rate Proposals, etc.

Governing Rule/Authority on IDC

- P.L. 93-638 Contracts (BIA & IHS) Contract Support Cost (CSC) Policy
 - CSC – IDC, Direct CSC & Start up Cost on new contract
 - CSC paid as add on to program funds
- Navajo Nation
 - 2NNC §701 A.10., Naa bik'iyati' (NAABI) Committee reviews & approves negotiation & setting of NN IDC rate & admin cost rate agreements;

Governing Rule/Authority on IDC

NAABI Committee may waive IDC or admin cost rate if:

- Program provides statutory/regulatory requirement on limits;
- Commitment of available GF to offset the loss of IDC or admin costs;
- Central government will not subject admin cost to Chapter meetings.

Governing Rule/Authority on IDC

- FY 2014 NN Budget Instruction Policy Manual (BIPM)
 - Adopted by BFJY-27-13 on July 5, 2013;
 - Sec II. A. Budget Policy Directive - 4. NN ... offices funded by external grant funds:
 - Shall budget for recovery of IDC funds based on IDC rate included in Grant Agreement;
 - NN shall not seek waiver of IDC recovery by NAABI unless 2 NNC§ 701.A.10 requirement is fully met;
 - NN maximize/earn IDC funds to full extent budgeted;
 - Level of services delivered –controlled by expenditures & SOW;
 - For full recovery of IDC funds- program effectively, efficiently & fully implement contract/agreement.

Governing Rule – FY 2014 BIPM

- Sec II. 20. IDC Cost Services -Tracking Policies & Procedures adopted by BnFC BFMY-13-10 on 5/4/10 (separate presentation);
- Sec III – Budget Process
 - IDC Recovery & Personnel Savings/Lapse Fund Allocation:
 - OMB allocates IDC recovery to eligible prgms;
 - IDC allocated in addition to GF & other NN Funds, e.g. \$100k (GenFund) + \$50k (IDC) = \$150k (Total Budget)

Governing Rule – FY 2014 BIPM

- **Sec. VII. Budget Revision.**
 - **Indirect Cost and General Fund Carryovers Budget Revision** Per 12 N.N.C. § 820 (N), appropriation by NNC, except for those made to the Chapters, will lapse and shall not be available for carryover at the end of the fiscal year unless, otherwise, designated by the NNC.

- **Sec. XI. Budget Forms and Instruction (on OMB website).**
 - Budget Form 1: Program Budget Summary
 - Budget Form 2: Program Performance Criteria
 - Budget Form 3: Listing of Positions and Assignments by Business Unit
 - Budget Form 4: Detailed Line Item Budget and Justification
 - Budget Form 5: Summary of Changes to Budgeted Positions
 - Budget Form 6: External Contract and Grant Funding Information

Governing Rule – FY 2014 BIPM

- Appendix R. Policy on Processing External Grant Documents:
 - Sec. I. Purpose:
 - Development of NN Comprehensive Budget (NN & External Funds);
 - Process CnG documents - grant application, award and modifications;
 - Implementation of awards base on Grant Agreement (Contract).
 - Sec. II. Definition:

Governing Rule – FY 2014 BIPM

- Sec. III Policies on External Grant Funds
 - 164. A., Matters requiring legislative action.
 - IGA – sharing of sovereign gov't powers e.g., PL 93-638.
 - Grant that requires tribal resolution e.g., US DOJ.
 - Proposed use of IDC rate different from IBC rate.
 - 164. B. – all grant applic., award and mods require review prior to submission to funding agency or implementation at NN:
 - Document Review - ensures the document or action the Program is pursuing is financially sound and legally sufficient for the NN to authorize, accept or approve.

Governing Rule

- The Branch Chief (President, Speaker & Chief Justice) is empowered to sign grant application for grant funds and Grant Agreement or Contract.
- NN negotiate IDC rate w/ cognizant federal agency pursuant to 2 CFR Part 225,
 - IDC rate current and specific to the fiscal year at hand, e.g.
 - FY 2014 in effect so FY 2014 IDC rate.
 - IDC rate used to budget for recovery of IDC on grant applications / awards.

Governing Rule – FY 2014 BIPM

- The grant applic./award include budget on recovery of IDC funds at IDC rate accepted by Grantor.
 - The IDC rate negotiated w/ IBC;
 - Waiver of IDC shall be based on 2 N.N.C. § 701.A.10.;
 - OMB/OOC advise on compliance with 2 N.N.C. § 701.A.10.

Governing Rule – FY 2014 BIPM

- NN maximize the recovery of IDC to the extent budgeted in award:
 - \$100k award, budget on recovery is \$16k. Actual recovery is \$16k. Indication is:
 - Award fully expended w/in funding period.
 - Budget intact for duration of grant, no revision or mods.
 - Recovery based on actual allowable and eligible expenditures.
 - Award \$100k.
 - Actual Exp. \$80k – basis of IDC recovery.

Governing Rule – FY 2014 BIPM

- Sec. IV. Other Requirements on External Grant Funds
 - Requirements on Indirect Costs (IDC).
 - OMB announce latest negotiated IDC Rate & post IDC Negotiation Agreement on OMB website.
- Formula on calculating budget for recovery of IDC funds:
- $\text{Budget} = \text{IDC Base} - [\text{IDC Base} / (1 + \text{IDC Rate})]$.

Governing Rule – FY 2014 BIPM

- IDC Base = Total Funds Awarded less exclusions / pass-through which include:
 - All assistance payments e.g. Welfare Assistance, Scholarship, TANF and WIA Participants.
 - All Transaction expensed in the 9xxxx cost category.
 - Subcontracts e.g., construction projects i.e., power/waterline, building, etc., third party service providers under P.L. 93-638 BIA/IHS, etc.
- Professional Service Contracts used by NN as a procurement contract does not qualify as an exclusion or pass-through.

Governing Rule – FY 2014 BIPM

- Example on calculating the Budget for Recovery of IDC:
 - Total Funds Awarded is \$150,000.
 - Exclusions consist of \$30,000 for vehicle purchase; \$15,000 for computer purchase for a total of \$45,000.
 - IDC base is \$105,000 ($\$150,000 - 45,000$)
 - IDC Rate is 17%;
 - IDC Budget for Recovery of IDC is $\$15,256 = \$105,000 - 89,744$ ($105,000/1.17$)

Governing Rule – FY 2014 BIPM

- OMB shall allocate the projected recovery of IDC to develop NN Comprehensive Budget.
 - IDC funds shall be allocated to only those offices and programs that are eligible.
- OMB shall apply the following to determine the amount of IDC funds to be allocated:
 - Amount Allocated:
 - Programs' IDC (Cost) Pool is Total Expenditure x Percent time spent on CnG.
 - **Ex.** \$4.8m x 25% = \$1.2m is IDC pool.
 - Allocation of IDC for Budget. Based on the percent of Programs' IDC pool relative to the Nation's total IDC Pool.
 - **Ex.** \$1.2m / \$30.5m = 3.97%.
 - Program receive 3.97% of Total Projected IDC Recovery of \$10m = \$3,970.

IDC Proposal – Setting Rate

IDC Rate Proposal based on 2 CFR Part 225:

- Written justification on manner the Nation's program provides IDC service and estimated time spent (percent) on CnG.
- Based on overall **audited** expenditures - NN funds & external grant funds.
- Audit & Expenses on 3 years lag:

FY IDC Proposal

FY Audit Expenses

2013

2010

2012

2009

IDC Proposal – Setting Rate

- Cognizant Federal Agency - federal department that provides the largest funding award to NN:
 - Dept. of Interior
- Interior Business Center (formerly NBC) – contractor for DOI to negotiate IDC rate;
- Total Federal Award - \$ 338,989,960 per FY 2012 Audit. Top 4 are:

<u>No.</u>	<u>Federal Dept</u>	<u>Amount of Award</u>
1	DHHS	125,820,649
2	DOI	124,125,844
3	DOJ	26,841,461
4	DOA	21,325,985

IDC Proposal – Setting Rate

- NN contracts with Moss Adams, LLC., to prepare IDC rate proposal;
 - Submits to NN for review and acceptance.
- Nation's IDC Workgroup (OMB, OOC & DOJ):
 - reviews proposal for final processing;
 - responds to information requested by Moss Adams and/or IBC;
- Nation submits proposal to IBC.

IDC Proposal – Setting Rate

- IBC reviews proposal & submits IDC Negotiation Agreement to offer rate:
 - NABI accepts IDC rate by resolution;
 - President signs IDC Negotiation Agreement (NA) & return to IBC for their execution;
 - IBC executed IDC NA returned to NN;
 - Implementation based on executed IDC NA.

Purpose / Use of IDC Rate

- Budget for recovery of IDC funds in the grant applications;
 - 2 NNC §164. B. admin. review is check and balance system.
- Projection of IDC recovery-
 - Based on IDC recovery budgeted in Grant Agreements;
 - Allocated to Central Support Service providers for use as operating budget.

Purpose / Use of IDC Rate

- Status of IDC rate established w/ IBC:
 - IDC rates approved by Interior Business Center (formerly) NBC on September 18, 2013 are:
 - FY 2009 – 19.64%
 - FY 2010 – 20.02%
 - FY 2011 – 16.83%
 - FY 2012 – 16.95%
 - **FY 2013 – 16.95%**
- On October 17, 2013, NAABI Committee accepted rates by resolution NABIO-47-13; executed by IBC on October 22, 2013.

RESOLUTION OF THE
 NAABIK'ÍYÁTI' COMMITTEE OF THE
 NAVAJO NATION COUNCIL

22ND NAVAJO NATION COUNCIL - Third Year, 2013

AN ACTION

RELATING TO, BUDGET AND FINANCE COMMITTEE AND NAABIK'ÍYÁTI' COMMITTEE; APPROVING, ACCEPTING AND IMPLEMENTING INDIRECT COST (IDC) NEGOTIATION AGREEMENT WITH THE NATIONAL BUSINESS CENTER FOR INDIRECT COST (IDC) RATES FOR FISCAL YEAR 2009 THROUGH 2013

BE IT ENACTED:

1. The Navajo Nation approves, accepts, and implements the Indirect Cost (IDC) Negotiation Agreement with the National Business Center for Indirect Cost Rates for Fiscal Years 2009 through 2013, as found within Exhibit A attached hereto.
2. The President of the Navajo Nation, or his designee, is hereby authorized to execute the Indirect Cost (IDC) Negotiation Agreement with the National Business Center for Indirect Cost Rates for Fiscal Years 2009 through 2013.
3. Pursuant to 2 N.N.C. §701(A)(10), the Naabik'iyáti' Committee strongly discourages the approval of any future waivers of Indirect Cost.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Naabik'iyáti' Committee at a duly called meeting in Window Rock, Navajo Nation (Arizona) at which a quorum was present and that the same was passed by a vote of 13 in favor and 0 opposed, this 17th day of October 2013.


 Johnny Naize, Chairperson
 Naabik'iyáti' Committee

Motion: Honorable Mel R. Begay
 Second: Honorable George Apachito

**Indian Organizations
Indirect Cost Negotiation Agreement**

EIN: 86-0092335

Organization:

The Navajo Nation
P.O. Box 646
Window Rock, AZ 86515

Date: October 22, 2013

Report No(s) : 14-A-0061(09)
14-A-0062(10) 14-A-0064(12)
14-A-0063(11) 14-A-0065(13)
Filing Ref.:
Last Negotiation Agreement
dated May 18, 2012

The indirect cost rate contained herein is for use on grants, contracts, and other agreements with the Federal Government to which Public Law 93-638 and 2 CFR 225 (OMB Circular A-87) apply, subject to the limitations contained in 25 CFR 900 and in Section II.A. of this agreement. The rate was negotiated by the U.S. Department of the Interior, Interior Business Center, and the subject organization in accordance with the authority contained in 2 CFR 225.

Section I: Rate

Type	Effective Period		Rate*	Locations	Applicable To
	From	To			
Fixed Carryforward	10/01/08	09/30/09	19.64%	All	All Programs
Fixed Carryforward	10/01/09	09/30/10	20.02%	All	All Programs
Fixed Carryforward	10/01/10	09/30/11	16.83%	All	All Programs
Fixed Carryforward	10/01/11	09/30/12	16.95%	All	All Programs
Fixed Carryforward	10/01/12	09/30/13	16.95%	All	All Programs

*Base: Total direct costs, less capital expenditures and passthrough funds. Passthrough funds are normally defined as major subcontracts, payments to participants, stipends to eligible recipients, and subgrants, all of which normally require minimal administrative effort.

Treatment of fringe benefits: Fringe benefits applicable to direct salaries and wages are treated as direct costs; fringe benefits applicable to indirect salaries and wages are treated as indirect costs.

Section II: General

Page 1 of 3

A. Limitations: Use of the rate contained in this agreement is subject to any applicable statutory limitations. Acceptance of the rate agreed to herein is predicated upon these conditions: (1) no costs other than those incurred by the subject organization were included in its indirect cost rate proposal, (2) all such costs are the legal obligations of the grantee/contractor, (3) similar types of costs have been accorded consistent treatment, and (4) the same costs that have been treated as indirect costs have not been claimed as direct costs (for example, supplies can be charged directly to a program or activity as long as these costs are not part of the supply costs included in the indirect cost pool for central administration).

1. The purpose of an indirect cost rate is to facilitate the allocation and billing of indirect costs. Approval of the indirect cost rate does not mean that an organization can recover more than the actual costs of a particular program or activity.
2. Programs received or initiated by the organization subsequent to the negotiation of this agreement are subject to the approved indirect cost rate if the programs receive administrative support from the indirect cost pool. It should be noted that this could result in an adjustment to a future rate.
3. New indirect cost proposals are necessary to obtain approved indirect cost rates for future fiscal or calendar years. The proposals are due in our office 6 months prior to the beginning of the year to which the proposed rates will apply.

Section III: Acceptance

Listed below are the signatures of acceptance for this agreement:

By the Indian Organization:

The Navajo Nation
Tribal Government


Signature

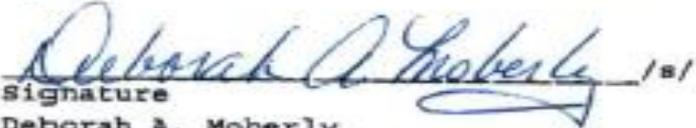
Ben Shelly
Name (Type or Print)

President
Title

OCT 21 2013
Date

By the Cognizant Federal Government
Agency:

U.S. Department of the Interior
Interior Business Center
Agency


Signature

Deborah A. Moberly
Name

Assistant Director
Indirect Cost Services Directorate
Title

OCT 22 2013
Date

Negotiated by Sujoy Mukhopadhyay
Telephone (916) 566-7009

THE NAVAJO NATION
Allocation of FY 2013
Projected \$10M IDC Recovery and \$5M Other Sources (GF)

A	B	C	D		E	F	G	H
			IDC Pool Per FY '05 Audited Expenditures / FY'08 IDC NA		Allocation FY 2013 Proj. IDC per '08 IDC NA	Additional GF Allocation for Budgeting	Total FY 2013 Allocation IDC & GF	
No.	Title of Account or Program	Acct #	CSC Amt	%	(E * \$10M)	GF + \$5M	\$10M+ \$5M	
			FY08 Exp	(D / \$32.6m)		(E * \$5m)	(F + G)	
43	General Services (GS): Admin	112001	335,752	1.04%	103,635	41,086	144,721	
44	GS: Insurance Svc Dept	112003	489,408	1.51%	151,063	59,889	210,952	
45	GS: Risk Management Pgm	112004	77,840	0.24%	24,027	9,525	33,552	
46	GS: Commun/Utilities Dept	112006	285,657	0.88%	88,172	34,956	123,128	
47	GS: Facilities Maintenance	112008	2,965,841	9.15%	915,450	362,928	1,278,378	
48	GS: Dept of Info Technology	112009	745,217	2.30%	230,022	91,192	321,214	
49	GS: Records Mgmt Dept	112010	344,921	1.06%	106,465	42,208	148,673	
50	DOH: Administration	113001	262,504	0.81%	81,026	32,123	113,148	
51	Human Resources-Admin	114001	423,754	1.31%	130,798	51,855	182,652	
52	HR: Labor Relations	114004	670,278	2.07%	206,891	82,022	288,913	
53	HR: Staff Dev/Training	114006	328,671	1.01%	101,449	40,219	141,668	
54	HR: Nav OSHA	114007	231,452	0.71%	71,441	28,323	99,764	
55	HR: Personnel Management	114009	1,174,937	3.63%	362,661	143,776	506,438	
56	Natural Resources: Administration	115001	364,008	1.12%	112,356	44,544	156,900	
57	Police - Administration Distr.	116001	442,901	1.37%	136,708	54,198	190,905	
58	Public Safety- Administration	116018	0.00	0.00%	0.00	28,916 *	28,916	
59	DSS: Administration	117001	283,434	0.87%	87,486	34,684	122,170	
60	DSS: Chinle Agency	117002	205,522	0.63%	63,437	25,150	88,587	
61	DSS: Crownpoint Agency	117003	152,153	0.47%	46,964	18,619	65,583	
62	DSS: Ft Defiance Agency	117004	118,583	0.37%	36,602	14,511	51,113	
63	DSS: Shiprock Agency	117005	180,574	0.56%	55,737	22,097	77,834	
64	DSS: Tuba City Agency	117006	171,622	0.53%	52,974	21,001	73,975	
65	Fixed Costs: Annual Audit-Contro	118001	0.00	0.00%	0.00	246,103 *	246,103	
66	DHR: Personnel Adjustment	118003	0.00	0.00%	0.00	19,323 *	19,323	
67	Fixed Costs: Insurance Premiums	118004	0.00	0.00%	0.00	725,225 *	725,225	
68	Fixed Costs: Utilities	118005	2,610,294	8.06%	805,705	319,420	1,125,125	
69	DHR: Employee Recognition	118006	0.00	0.00%	0.00	15,951 *	15,951	
70	Fixed Costs: Telephone	118007	1,625,223	5.02%	501,649	198,878	700,526	
71	Fixed Costs: Comm. & Maint.	118008	786,241	2.43%	242,685	96,212	338,897	
72	Fixed Costs: Office Machine Main	118009	180,143	0.56%	55,604	22,044	77,648	
73	Executive Branch		29,450,978	90.90%	9,090,467	4,639,417	13,729,884	
74	Total Navajo Nation		32,397,651	100%	10,000,000	5,000,000	15,000,000	

Purpose / Use of IDC Rate

- FY 2014 IDC Rate – preparation of proposal work in progress by Consultant:
 - FY 2011 audited expenditure submitted to Moss Adams by OOC week of November 25, 2013;
 - SEFA submitted by CGS on December 2, 2013;
- Different IDC Rates:
 - Negotiated w/ IBC;
 - Set by funding agency statute e.g., NM general fund is 5%
 - Prohibited by funding statute; e.g., NM Severance Bond is 0 (zero).

Strategy

- Timely submission of application e.g., Head Start application-
 - due Aug. 1
 - funding periods Nov. 1;
 - review process start 2 months prior to appl. due date;
- Complete contracts on time:
 - by term ending date;
 - Otherwise, IDC service and cost is prolonged.

Strategy

- NN fully achieve the purpose of the grant w/in funding period:
 - Maximize service delivery – 10 houses built;
 - Fully expend award - \$2m;
 - File required reports (FFR, progress) with grantor by due date;
 - Closeout of Grant Agreement.
- ProgMgrs/DivDtr monitor Grant Agreement to ensure deliverables and expenditures are on schedule.